



**DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
TWO YEARS ENDED JUNE 30, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-43
May 14, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2003

The following problems were discovered as a result of an audit conducted by our office of the Department of Agriculture, State Milk Board.

The Milk Inspection Fees Fund was established to receive fees collected from milk producers. The monies collected are used for inspection and compliance monitoring expenses, including payments to local health departments that contract with the State Milk Board to perform these services. Beginning in fiscal year 1995, the contracts provided for additional payments from a General Revenue Fund-State appropriation. The State Milk Board made payments totaling approximately \$1,254,000 and \$1,339,000 to the local health departments during the years ended June 30, 2002 and 2001, respectively.

The Springfield and St. Louis health departments were paid approximately \$58,000 and \$61,000 more than the amounts allowed by the contract during the years ended June 30, 2002 and 2001, respectively. The State Milk Board erroneously paid the local health departments at a rate that differed from the rate provided for in the contracts. Payments during July 2002 through September 2002 also exceeded the rate, but adjustments have been made.

It was also noted that the local health departments were paid approximately \$86,000 and \$128,000 more than the limit set by statute during the years ended June 30, 2002 and 2001, respectively. The total amounts paid to the contract agencies exceeded the statutory limit due to the payments from the General Revenue Fund-State appropriation. State law limits the total payment to each health department to five cents per one hundred pounds of milk or milk products. By limiting payments to the contract agencies to the statutory maximum, the State Milk Board could reduce its expenditures from the General Revenue Fund-State.

This concern has also been noted in prior reports.

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YELLOW SHEET

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Lowell Mohler, Director
Department of Agriculture
and
Terry S. Long, Executive Secretary
State Milk Board
Jefferson City, MO 65102

We have audited the accompanying Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments - Milk Inspection Fees Fund; Comparative Statement of Receipts - General Revenue Fund - State; and Comparative Statement of Appropriations and Expenditures of the various funds of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting or the state's legal budgetary basis of accounting, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Milk Inspection Fees Fund; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2002 and 2001, on the bases of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 25, 2002, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

October 25, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA
Audit Manager: Regina Pruitt, CPA
In-Charge Auditor: John Lieser, CPA



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Lowell Mohler, Director
Department of Agriculture
and
Terry S. Long, Executive Secretary
State Milk Board
Jefferson City, MO 65102

We have audited the financial statements of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated October 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Department of Agriculture, State Milk Board are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Department of Agriculture, State Milk Board, we considered the board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management of the Department of Agriculture, State Milk Board and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

October 25, 2002 (fieldwork completion date)

Financial Statements

Exhibit A

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH AND INVESTMENTS - MILK INSPECTION FEES FUND

	Year Ended June 30,	
	2002	2001
RECEIPTS		
Milk inspection fees	\$ 1,380,978	1,422,998
DISBURSEMENTS		
Personal service	128,741	127,770
Employee fringe benefits	41,404	39,725
Cost allocation plan	15,511	0
Expense and equipment	102,277	124,590
Inspection contract costs	1,092,856	1,265,697
Total Disbursements	1,380,789	1,557,782
RECEIPTS OVER (UNDER) DISBURSMENTS	189	(134,784)
CASH AND INVESTMENTS, JULY 1	202,848	337,632
CASH AND INVESTMENTS, JUNE 30	\$ 203,037	202,848

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF RECEIPTS - GENERAL REVENUE FUND-STATE

	Year Ended June 30,	
	<u>2002</u>	<u>2001</u>
Other inspection fees	\$ <u>12,920</u>	<u>13,724</u>
Total	\$ <u><u>12,920</u></u>	<u><u>13,724</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2002			2001		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
Payment of real property leases, related services, utilities and systems furniture and structural modifications for new FTE - Expense and Equipment	\$ 42,918	15,774	27,144 *	21,459	18,476	2,983
Personal Service and Expense and Equipment and for contractual services with local health agencies	175,397	159,155	16,242	221,350	213,937	7,413
Personal Service	149,496	118,620	30,876	148,656	125,189	23,467
Expense and Equipment	40,100	35,461	4,639	9,800	9,506	294
Total General Revenue Fund - State	407,911	329,010	78,901	401,265	367,108	34,157
MILK INSPECTION FEES FUND						
Personal Service	138,617	129,046	9,571	137,930	127,770	10,160
Expense and Equipment	233,518	91,044	142,474	137,421	104,126	33,295
Personal Service and Expense and Equipment and for contractual services with local health agencies	1,288,970	1,092,856	196,114	1,402,970	1,160,932	242,038
Payment of real property leases, related services, utilities and systems furniture and structural modifications for new FTE - Expense and Equipment	26,118	10,928	15,190 *	13,059	10,928	2,131
Total Milk Inspection Fees Fund	1,687,223	1,323,874	363,349	1,691,380	1,403,756	287,624
Total All Funds	\$ 2,095,134	1,652,884	442,250	2,092,645	1,770,864	321,781

* Biennial appropriations set up in fiscal year 2002 are re-appropriations to the next fiscal year. After the fiscal year-end processing has been completed, the unexpended fiscal year appropriation balance for a biennial appropriation is established in the next fiscal year. Therefore, there is no lapsed balance for a biennial appropriation.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

Type of General Fixed Assets	Balance June 30, 2000	Additions	Dispositions	Balance June 30, 2001	Additions	Dispositions	Balance June 30, 2002
GENERAL REVENUE FUND - STATE							
Office furniture and equipment	\$ 29,790	2,594	(5,631)	26,753	0	0	26,753
Automobiles	14,000	0	0	14,000	11,500	0	25,500
Total General Revenue Fund - State	<u>43,790</u>	<u>2,594</u>	<u>(5,631)</u>	<u>40,753</u>	<u>11,500</u>	<u>0</u>	<u>52,253</u>
MILK INSPECTION FEES FUND							
Office furniture and equipment	192,604	3,705	(12,891)	183,418	0	(3,495)	179,923
Automobiles	14,000	22,400	(6,600)	29,800	0	(14,000)	15,800
Total Milk Inspection Fees Fund	<u>206,604</u>	<u>26,105</u>	<u>(19,491)</u>	<u>213,218</u>	<u>0</u>	<u>(17,495)</u>	<u>195,723</u>
Total General Fixed Assets	\$ <u>250,394</u>	<u>28,699</u>	<u>(25,122)</u>	<u>253,971</u>	<u>11,500</u>	<u>(17,495)</u>	<u>247,976</u>

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for each fund of the Department of Agriculture, State Milk Board.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Milk Inspection Fees Fund. Appropriations from this fund are expended by or for the board for restricted purposes.

Receipts are presented in Exhibit B for the General Revenue Fund-State. Receipts include monies the board collects during its normal activities and remits to the fund. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the board's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Statement of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting. For years ended on or after June 30, 2001, expenditures generally consist of amounts paid by June 30, with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriations.

However, both before and after June 30, 2000, the General Assembly may authorize continuous (biennial) appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year. Therefore, such appropriations have no lapsed balances at the end of the first year.

The cash basis of accounting and the budgetary basis of accounting differ from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The board administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Milk Inspection Fees Fund: This fund is authorized by Section 196.947, RSMo 2000, to receive all monies paid to the state for milk inspection. Expenditures, authorized by appropriations, are to be used exclusively for the purpose of defraying the costs of the state milk inspection program, which may include payments to other agencies for services provided related to the program. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund.

General Revenue Fund-State: The board receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the board, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, cafeteria, and deferred compensation and deferred compensation incentive plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a monthly state contribution for each employee who participates in the deferred compensation plan and has been employed by the state for at least one year.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS

(retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation incentive amount.

Employee fringe benefits in the financial statement at Exhibit A are the transfers from the Milk Inspection Fees Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

2. Cash and Investments

The balance of the Milk Inspection Fees Fund is pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

		<u>Milk Inspection Fees Fund</u>	
		<u>Year Ended June 30,</u>	
		<u>2002</u>	<u>2001</u>
DISBURSEMENTS PER EXHIBIT A	\$	1,380,789	1,557,782
Employee fringe benefits		(41,404)	(39,725)
Cost allocation plan transfer		(15,511)	
Lapse period expenditures:			
2000			(114,301)
EXPENDITURES PER EXHIBIT C	\$	<u>1,323,874</u>	<u>1,403,756</u>

4. Inspection Contract Costs

During the two years ended June 30, 2002, the State Milk Board contracted with the county of St. Louis and the city of Springfield to inspect Grade A milk supplies. This expenditure category represents the cost associated with these contracts paid from the Milk Inspection Fees Fund. During the years ended June 30, 2002 and 2001, an additional \$160,793 and \$198,852, respectively, was paid to these agencies from appropriations from the General Revenue Fund-State.

Note to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Finding

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

We have audited the financial statements of the Department of Agriculture, State Milk Board as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated October 25, 2002.

The following Management Advisory Report presents our findings arising from our audit of the Department of Agriculture, State Milk Board's financial statements.

Milk Inspection Program

The Milk Inspection Fees Fund (MIF) was established to receive fees collected from milk producers. Section 196.945, RSMo 2000, allows the State Milk Board (SMB) to set fees not exceeding five cents per one hundred pounds of milk produced. The SMB set fees of 5 cents per one hundred pounds of instate milk and 4 cents per one hundred pounds of imported milk during each of the two years ended June 30, 2002. The monies collected are used for inspection and compliance monitoring expenses, including payments to local health departments that contract with the SMB to perform these services. The SMB contracts with the city of Springfield and St. Louis County health departments to provide these services in their specified areas.

The contracts with the Springfield and St. Louis Health Departments require the SMB pay each agency 4.75 cents per one hundred pounds of instate milk and 3.75 cents per one hundred pounds of imported milk inspected by the agency. Starting in the year ended June 30, 1995, the contracts provided for additional payments to be made from a General Revenue Fund-State (GRF-S) appropriation. The SMB made payments totaling approximately \$1,254,000 and \$1,339,000 to the two contract agencies during the years ended June 30, 2002 and 2001, respectively. These amounts include payments from the GRF-S totaling \$160,793 and \$198,852 during the years ended June 30, 2002 and 2001, respectively.

- A. The Springfield and St. Louis health department contract agencies were paid approximately \$58,000 and \$61,000 more than the amounts allowed by the contract during the years ended June 30, 2002 and 2001, respectively. The SMB erroneously paid the contract agencies at the rate of 5 cents per one hundred pounds of instate milk and 4 cents per one hundred pounds of imported milk instead of 4.75 cents and 3.75 cents, respectively, as required by the contract. Payments to the contract agencies during July 2002 through September 2002 also exceeded the contract rate. After we informed the Executive Secretary of the SMB of the error, he began paying the contract agencies at the proper rate and adjusted subsequent payments to correct for the overpayments made since July 1, 2002.

- B. The Springfield and St. Louis Health Department contract agencies were paid approximately \$86,000 and \$128,000 more than the limit set by statute during the years ended June 30, 2002 and 2001, respectively. The total amounts paid to the contract agencies exceeded the statutory limit due to the payments from the GRF-S appropriation. Section 196.947, RSMo 2000, limits the total payment to each health department to five cents per one hundred pounds of milk or milk products. The SMB believes the limit imposed by section 196.947, RSMo 2000, does not apply to the payments from the GRF-S appropriation. By limiting payments to the contract agencies to the statutory maximum, the SMB could reduce its expenditures from the GRF-S.

This condition was also noted in several prior reports.

WE RECOMMEND the SMB ensure payments to the local health departments for the inspection of milk and milk products do not exceed the amounts required by the contract or the limits established by state law. Fiscal year 2001 and 2002 should be reviewed and consideration given to making adjustments for compliance with contract terms.

AUDITEE'S RESPONSE

The State Milk Board recognizes the need to establish a cost analysis and address possible cost savings with contract expenditures of Milk Inspection Fee Fund monies. A cost study conducted during 2002 by the Board has lead to changes in fiscal year 2004 contract wording. The payments to contractees are to be limited by work accomplished rather than volumes of milk inspected alone. This has been reflected initially in lower contract caps as issued.

The auditor's findings of overpayments due to the use of General Revenue Fund monies is still a point of contention with the Board, due to differing interpretations of appropriated funds in regards to RSMo 196.947. The statute, in the Board's and our legal advisor's view, is clearly relating to the Milk Inspection Fees Fund and it's dispersal. This issue, however, will be eliminated in the upcoming fiscal year due to the Governor's budget eliminating the contracting General Revenue Fund item entirely and the Board's fiscal year 2004 contracts do not reflect any General Revenue Fund dispersal.

The Board's office has corrected current contract year payments to assure the 3.75 and 4.75 cents contract limits are not exceeded. The current accounting system will not allow after year corrections and the payment system previously used failed to limit yearly totals although apparently it did the first year audited under the new system. The year-end payments must still be calculated but in hopes that the estimates will be much closer to the actual amounts. The fiscal year 2004 contract dispersals will not be made by volume due to contract re-wording dispelling this problem in future contracting. The Board will review past fiscal year contract payment excesses found by the audit.

This report is intended for the information of the management of the Department of Agriculture, State Milk Board and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Agriculture, State Milk Board on findings in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 2000. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the State Milk Board should consider implementing those recommendations.

1. Milk Inspection Program

- A. The SMB received annual budget estimates from each of the health department's milk inspection programs; however, actual cost data was not regularly obtained. In addition, it appears the fees collected from producers were not adequate to cover inspection costs as appropriations from General Revenue Fund-State were requested in fiscal years 1995 through 2000 to help cover payments to contractors. A comprehensive review of the fee structure was not performed to determine if a statutory fee increase was necessary to cover increased costs of inspection.
- B. Based on the SMB's records of milk produced in fiscal year 2000, it appears the Springfield and St. Louis County health department contract agencies were paid approximately \$41,716 and \$23,721, respectively, more than the limit set by statute.

Recommendations:

The SMB:

- A. Develop an estimated cost for the inspection and compliance monitoring program for each contractor's area and then compare these costs to Milk Inspection Fees Fund revenues for that area. Once this analysis is completed, the SMB should consider any justified changes in management responsibilities of the Springfield or St. Louis areas, or determine whether legislation increasing fees should be pursued to ensure sufficient monies are collected to cover costs of inspection and compliance monitoring.
- B. Ensure payments to the local health departments for the inspection of milk and milk products do not exceed limits established by state law or pursue legislation to amend state law to allow such payments.

Status:

- A. Partially implemented. In August 2002, the SMB formed a committee to develop an estimated cost to conduct the inspection and regulatory services currently performed by the contract agencies. The SMB plans to use the cost data as a basis for future

contracts with the contract agencies or, if necessary, assume the inspection and compliance monitoring programs in those areas. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Not implemented. See the current MAR.

2. Rating Surveys

Official rating surveys performed by the Department of Health and Senior Services (DHSS) were conducted on an eighteen to twenty-four month schedule instead of annually as required by state law. Rating surveys provide two scores; one for sanitation and the other for enforcement of the Pasteurized Milk Ordinance. Results are provided to the United States Food and Drug Administration.

Recommendation:

The SMB, through the DHSS, ensure annual rating surveys are conducted as required by state law. In addition, the SMB should find alternative methods for monitoring its contractors' performance, such as linking contractee databases to its own.

Status:

Not implemented. However, the DHSS has hired an additional ratings officer and expects to begin completing surveys more frequently. Also, the U.S. Department of Health and Human Services recently evaluated the Missouri grade "A" milk and dairy program including the rating surveys of the DHSS and found no substantial problems. Although not repeated in the current MAR, the SMB and DHSS should ensure annual rating surveys are conducted as required by state law.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri State Milk Board was created in 1972 when the General Assembly adopted and the Governor signed into law House Bill No. 1280. In accordance with the Omnibus State Reorganization Act of 1974, the State Milk Board was transferred to the Department of Agriculture under a Type III transfer. Under a Type III transfer, the Director of the Department of Agriculture does not maintain supervision over substantive matters relating to policies and regulative functions of the State Milk Board.

Pursuant to Executive Order No. 82-9, effective August 13, 1982, “. . . All powers, duties, and functions vested in the Division of Animal Health and the Director of the Department of Agriculture with respect to administering and enforcing the provisions of Sections 196.520 through 196.610, RSMo 2000, (relating to The Missouri Manufacturing Milk and Dairy Market Testing Law) . . .” were transferred to the State Milk Board.

The State Milk Board consists of twelve members, ten of whom are appointed by the governor. The two remaining members of the board are the director of the Department of Health and Senior Services and the director of the Department of Agriculture or their designated representatives. An executive secretary serves as the administrative officer of the board, which administers the inspection of milk supplies.

The Fluid Milk Inspection Program is funded from milk inspection fees. To help cover inspection costs, the General Assembly appropriated \$175,397 and \$221,350 from the General Revenue Fund-State during the years ended June 30, 2002 and 2001, respectively. Section 196.945, RSMo 2000, limits milk inspection fees to five cents per one hundred pounds of fluid milk. The inspection fee is set by the board after holding a public hearing giving thirty days public notice. The inspection fee for the fiscal year ended June 30, 2000 was five cents per one hundred pounds of milk produced in Missouri and four cents per one hundred pounds for milk produced in other states and imported into Missouri. Imported milk is charged a lesser rate because the originating state inspects its producers.

During the two years ended June 30, 2002, the State Milk Board contracted with the county of St. Louis and the city of Springfield to perform inspections in those areas. The State Milk Board has management responsibility for the Kansas City area. The board's enforcement of statutes and regulations ensures that fluid milk and milk products are uniformly inspected, regulated, and graded throughout the state. The board's operation of the Fluid Milk Inspection Program is funded by the difference between the inspection fee collected and the contract payments to the other governmental units.

The Manufacturing Milk and Dairy Market Testing Law Program is funded by appropriations from the state's General Revenue Fund. The State Milk Board is responsible for the enforcement of laws relating to the sanitation and quality standards of milk used for manufacturing dairy products and to market test all milk at first point of sale. Milk producers, manufacturing plants,

field superintendents, testers, graders, samplers, and milk truck operators are also licensed under this program.

At June 30, 2002, State Milk Board members were as follows:

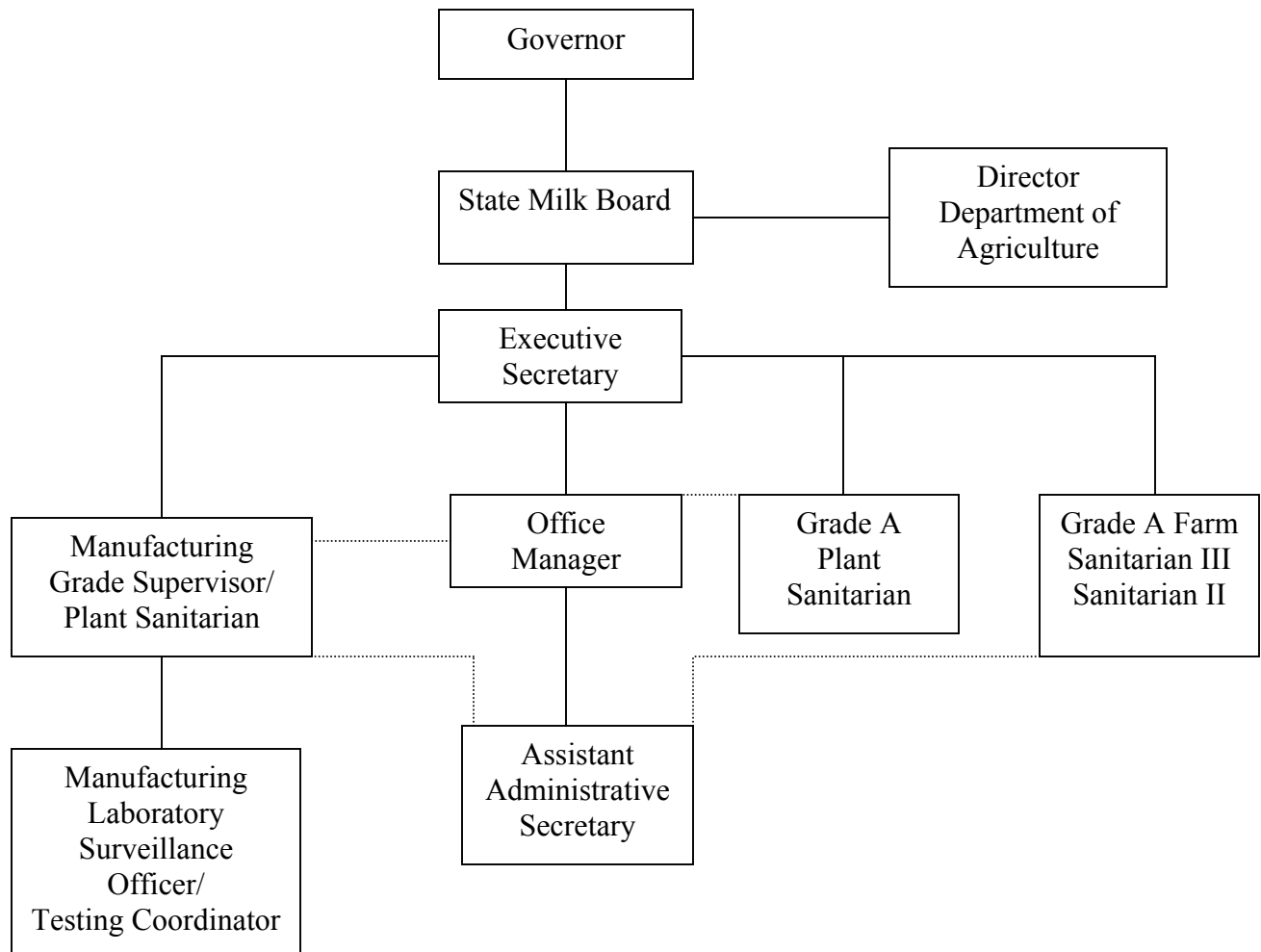
Name	Organization	Term Expires
Kate Geppert	Holstein Association	September 28, 2002 *
Ron Boyer	Springfield/Greene County Health Department	September 28, 2003
Robert W. Cary	Prairie Farms Dairy	September 28, 2006
Joyce Theard	St. Louis County Health Department	September 28, 2005
Randy Mooney	Consumers-at-large	September 28, 2003
Gale Hackman	Processing Plants	September 28, 2000 *
Dr. Chuck Massengill, DVM	Department of Agriculture	Ex Officio
Daryl Roberts	Department of Health and Senior Services	Ex Officio
William B. Siebenborn	Milk Producer Organization - Farm Bureau	September 28, 2006
Patricia M. Mahoney	St. Louis County Health Department	September 28, 2002 *

* Continues to serve until a replacement is appointed.

Note: There are two vacant positions on the board.

Terry S. Long serves as the Executive Secretary of the board. At June 30, 2002, the State Milk Board had seven employees. An organization chart follows.

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
ORGANIZATION CHART
JUNE 30, 2002



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